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Defense Secretary John Nott arrived Monday at No. 10 Downing Street for Cabinet talks.



Foreign Secretary Francis Pym arrived for the meeting with Prime Minister Thatcher.



Alexander M. Haig Jr., left, and Nicancor Costa Méndez talking before the OAS meeting.

Return of Sinai 'Magnificent,' Mubarak Says

By William E. Farrell

New York Times Service

CAIRO — President Hosni Mubarak said Monday that the restoration of Egyptian sovereignty over the Sinai Peninsula was a "magnificent achievement" and that returning the land the "people of Israel have shown an enthusiasm for peace."

The Egyptian leader addressed a cheering parliament in an hour-long speech that was nationally televised to commemorate the return Sunday of the last portion of the Sinai, which Israel captured during the 1967 war.

Mr. Mubarak entered the packed chamber accompanied by Gamal Sadat, son of Anwar Sadat, the assassinated president who initiated the process that led to the Egyptian-Israeli peace treaty.

It is with great regret that we celebrate this day without his presence," Mr. Mubarak said in a long eulogy on Sadat. "He was a man waiting for this particular moment."

Mr. Mubarak said that Egypt had every intention of continuing to pursue the thus-far fruitless efforts by his country and Israel to devise an acceptable autonomy plan for the 1.3-million Palestinian Arabs of the Israeli-occupied West Bank of the Jordan River and the Gaza Strip.

[At the northern end of the 140-mile (230-kilometer) frontier, Israeli troops were stoned by Palestinians in the desert town of Rafah, which straddles the new Sinai border. Reuters reported from Jerusalem.]

[A curfew was placed on the Israeli-occupied section of the town after demonstrators took to the streets, apparently to protest the division of the town by a border fence.]

Mr. Mubarak was critical of Israel's policy of creating Jewish settlements in the occupied territories, a policy that Defense Minister Ariel Sharon of Israel says will be intensified.

The Egyptian leader's remarks contrasted with reports coming from Israel in which Prime Minister Menachem Begin was quoted Sunday by a government official as telling the Israeli Cabinet: "This is the last time we hand over to the Arabs any land we hold."

In his speech, Mr. Mubarak hailed those Arab nations — Oman, Somalia and Sudan — that did not rebuff Egypt and break diplomatic ties when Sadat initiated the peace process.

[The official Middle East News Agency reported in Cairo that Jordan and Morocco, two of the Arab states that broke relations with Egypt after its peace treaty with Israel, congratulated Mr. Mubarak on Monday for recovering the last of Egypt's occupied territories, Reuters reported.]

First Announced Contacts

[The letters were the first publicly announced contacts between Jordan and Morocco and Egypt since relations were broken off after the 1979 treaty, Reuters said.]

Israeli and Egyptian negotiators, with the help of the United States, are still attempting to resolve a disputed portion of Sinai — a 2,300-foot (700-meter) coastal strip called Taba along the Gulf of Aqaba just south of the Israeli port city of Eilat.

President Hosni Mubarak of Egypt greets Gamal Sadat, the eldest son of the slain president, before addressing parliament.

**INSIDE****Bloc Export Rates**

EEC ministers agreed to a plan that would raise export-control rates paid by the Soviet Union and two other Eastern Bloc countries. Page 9.

A-Arms Hearings

The chairman of the U.S. Senate Foreign Relations Committee, convinced that both nuclear arms control and a superpower summit are urgently required, is to begin hearings that could be the most extensive and varied on the arms race in years. Page 3.

Bonn Reshuffle

West German Chancellor Helmut Schmidt has completed his government reshuffle. Manfred Lahmeyer reportedly is replacing Finance Minister Hans Matthaes. Page 4.

TOMORROW**Focus on Paris**

A special supplement on Paris will appear in Wednesday's International Herald Tribune.

U.S. Scientists Repair a Defective Human Gene**Researchers Find Way Around Faulty Message That Causes Incurable Blood Disease**

By Harold M. Schmeck Jr.

New York Times Service

NEW YORK — Scientists have created and transmitted artificial genetic instructions to correct the behavior of a defective human gene that causes an incurable and often fatal blood disease.

To do it, they had to determine the precise chemical subunit within the gene, among 438 such subunits, that was malfunctioning. They also had to devise a method for canceling the erroneous instructions that, in some instances, are known to be the direct cause of the disease, known as beta thalassemia.

The experiments at the University of California at San Francisco are the first publicly reported in which the faulty message of a defective human gene has been corrected by artificial counterorders.

The feat exemplifies the extraordinary sophistication that scientists are achieving in the attempts to understand and manipulate the chemistry of heredity in human and animal cells.

Disease Prevention

One of the ultimate aims of this work, in addition to basic understanding, is to prevent genetic diseases before they can occur. Such research has been made possible in recent years through advances in understanding the role of DNA, or deoxyribonucleic

acid, as the universal genetic material for all living things.

DNA serves as the blueprint, or design, for the construction of all cells in the human body. The development of advanced techniques for duplicating and manipulating genes through so-called gene-splicing methods has also enabled scientists to undertake genetic work such as currently is being reported.

Beta, the most common of the thalassemias, is a disorder that can cause anemia, bone deformities, heart problems and shortened span. Thalassemia genes are most common in natives of Italy, Greece, the Middle East, India, Thailand and China.

The new experiments related to it were directed by Yuet Wai Kan of the University of California, and were done with human genetic material transplanted into the egg cells of a frog.

Mr. Kan, an internationally known specialist in the study of the blood disease, emphasized that before the new technique could be considered for trial in a human, it must be proven to work efficiently enough so that it might correct a patient's problem without overruling essential genetic signals.

A team led by Philip Sharp of the Massachusetts Institute of Technology has made significant progress in a similar genetic manipulation in mammalian cells. But Mr. Sharp said his findings have not been published and he is not prepared to disclose the details.

Some of the scientists familiar with Mr. Kan's research regard it as a small but important step in the advancement of hereditary science. "From the point of view of the pure geneticist, this is an exciting development," said William Somers of the Yale University School of Medicine, who is engaged in related research in the chemistry of genetics.

Mr. Kan and his researchers reported their progress on beta thalassemia in a recent issue of the British Journal Nature.

Two years ago, Mr. Kan's group discovered that some cases of beta thalassemia are caused by a mutation in just one of the 438 message-carrying DNA subunits that give instructions for making one component of hemoglobin, the oxygen-carrying substance of the blood. That mutation transformed one three-subunit segment of the DNA instructions for making a necessary chemical, lysine, into a disastrously placed order to stop producing lysine.

RNA Gene

The genetic blueprint, or code, is embodied in specific sequences of the same four subunits that are repeated thousands of times in various combinations in the long, twisted strand of DNA. In recent years, scientists have learned not only to read the messages of that genetic code but also to fabricate artificial messages by stringing subunits together in laboratory experiments

and making changes by splicing out or splicing in segments of genetic material.

Genetic messages are translated into action with the help of a substance called RNA, or ribonucleic acid. One form of RNA, transfer RNA, has the task of bringing chemicals called amino acids together so that they can be strung in chains that make up proteins. It was a gene for human transfer RNA that the scientist modified to overrule the genetic error implicated in beta thalassemia.

Using techniques of gene splicing, the scientists created a gene that was capable of sending orders to tell a cell to ignore a stop signal and to continue to make the needed blood substance. To prove that it worked, they put the defective gene for beta globin from a human thalassemia patient into frog egg cells together with the artificially corrected correction. The treated cells then produced the correct globin chain.

In experiments about two years ago, Marvin Cline of the University of California, Los Angeles, tried to treat two thalassemia patients by injecting them with copies of a functioning beta globin gene in the hope that these would direct the production of enough of the blood substance to compensate for the patients' defect. The experiments apparently failed in this objective.

The recent research by Mr. Kan and others is different in that the artificially introduced material was designed not to replace, but to correct, the faulty genes' behavior.

Despite Greek reservations, he also agreed to support Portugal's entry into the Common Market.

ATHENS — Greece's Socialist government, which won a sweeping electoral victory six months ago with a program for radical change, is now seeking to improve its strained relations with its Western allies, particularly the United States.

Premier Andreas Papandreou recently sent out a series of signals indicating that, contrary to the election slogans, his government was prepared to stay in the NATO, reach an agreement on U.S. bases in Greece and remain a full member of the European Economic Community.

According to senior Greek sources, however, Mr. Papandreou feels that there must be some gains for Greece so that he can justify to his supporters the need for maintaining Western links out of either national or strategic interests.

The Greek Communist Party has already publicly attacked the government for backsliding and failing to carry out its campaign pledges to establish a truly independent foreign policy.

Dramatic Gestures

Mr. Papandreou's government has made a few dramatic gestures of independence that have annoyed some Western allies but have placated his party's left wing and the Communists to some extent.

There was, for instance, the refusal to join the Sinai peacekeeping force and the refusal to go along with a U.S. bid for sanctions against the Soviet Union over Poland. There was also the diplomatic recognition of the Palestine Liberation Organization and the visit to Athens by the PLO leader, Yasser Arafat. The Libyan leader, Col. Muammar Qaddafi, is to visit here Friday.

Nevertheless, Greek diplomatic sources pointed out that on important foreign policy issues, Mr. Papandreou has shown caution and moderation and refrained from making unilateral decisions.

Earlier this month, Mr. Papandreou assured Premier Leopoldo Calvo Sotelo of Spain that Greece would back Spain's entrance into the Common Market and NATO

At the same time, the Greek government reacted mildly to recent reports from Washington that the United States is planning to increase substantially its military aid to Turkey, abolishing the previous ratio of 7-to-10 aid given to Greece and Turkey. Previous conservative Greek governments always loudly denounced any suggestion of a change in the ratio. U.S. sources expressed relief over Mr. Papandreou's "realistic" response.

Greek Control

Mr. Papandreou said that as a final goal he still wanted U.S. bases in Greece to be closed. He emphasized the need for Greek control over the bases but said it was "unrealistic" to insist on taking over command.

He said that he was not rushing the talks on the bases because several high-level meetings were necessary to set the "political framework" for the negotiations. Those meetings are expected to get under way in June with a Reagan-Papandreou meeting at the NATO gathering in Bonn.

The premier clearly wants to talk to the United States. A government spokesman said last month that there was no indication that either Secretary of State Alexander M. Haig Jr. or Defense Secretary Caspar W. Weinberger would visit Greece, but he emphasized that they would be welcome.

Sources close to the premier said the Greek government had a minimum of three demands on the issue of U.S. bases: the preservation of the balance of power in the Aegean, an "adequate contribution" to Greece's military needs, and control of operations so that the bases cannot be used against friendly countries.

Concerning Greece's participation in the military wing of NATO, Mr. Papandreou said: "For the time being we are neither in nor out."

He made it clear that Greece's position depended on the issue of operational control in the Aegean and that it would not accept any demarcation line that did not coincide with its eastern borders.

Thatcher Renews Appeal for Peace

From Agency Dispatches

LONDON — Prime Minister Margaret Thatcher said Monday that time was running out for Argentina to settle the Falkland Islands crisis peacefully but that she still wanted to negotiate after the recapture of South Georgia Island by British forces.

Stressing a desire for peace, she told Parliament: "A state of war does not exist between ourselves and Argentina."

But she also said the task force approaches extremely short as the task force approaches the islands.

"You can't have a wide range of military options with the task force in wild and stormy weather."

She also said the recapture of South Georgia has not altered her government's determination to do everything possible to get a negotiated settlement.

She said Britain sought, by peaceful means if possible, implementation of United Nations Security Council Resolution 502,

which calls for the cessation of

hostilities, withdrawal of Argentine forces and a negotiated settlement.

She blamed Argentina for the failure to reach a settlement, saying "we did not break the peace."

Argentina contends that years of negotiation with Britain on the Falklands issue had been fruitless.

Mrs. Thatcher said about 180 Argentines had been captured on

South Georgia, the Falklands dependency 800 miles (1,280 kilometers) east of the Falklands. She added, however, that they were not prisoners of war and would be returned to their country.

Mrs. Thatcher said the prisoners included up to 50 reinforcements who had been on an Argentine submarine dislodged in the first phase of the landing operation.

The submarine, the 1,870-ton

Santa Fe, was crippled when British helicopters attacked it on the surface near Grytviken, the main port of South Georgia. British troopers later captured the port.

Defense Ministry officials said the helicopters had attacked the submarine, after being fired on

by Argentine gunners.

Mrs. Thatcher said no British casualties were reported in the assault and the only known injury on the Argentine side was to a sailor who was seriously wounded aboard the submarine and later had a leg amputated.

In Buenos Aires, however, the Argentine news agency Noticias Argentinas said seven of the submarine's crewmen had been injured, one of them seriously.

The Argentine government said Argentine troops had made a tactical withdrawal to the island's interior and were keeping up resistance to the British forces.

The Defense Ministry said British forces had tightened their grip on South Georgia by taking the only other Argentine-held settlement, Leith, about 10 miles from Grytviken.

British sources said some Argentine troops could still be hiding out on the mountainous, snow-capped island.

Argentine newspapers Monday

(Continued on Page 2, Col. 2)

Surprise, Reconnaissance Pay Off**Attack by British Followed Pattern of NATO Exercises**

By Drew Middleton

New York Times Service

LONDON — Britain's recapture of the port of Grytviken on South Georgia combined the element of surprise with thorough reconnaissance, according to NATO analysts here.

The analysis, reviewing information provided by the Defense Ministry and other sources, said the operation followed the pattern worked out in NATO exercises of Norway by British and U.S. Marine units.

The landing was prepared by 12

men of the elite Special Boat Squadron who landed along the island's north coast shortly before dawn Thursday. The squadron is

quency transmitters, they were

said to have reported a strength on

the island of about 44 Argentine

marines and a mortar team.

This cleared the way for the

main landing Sunday carried out

by Royal Marine Commandos

by helicopter. A commando

unit's war strength is about 600 men, but analysts said the British probably used half that number for the attack.

The Argentine positions were

overrun without British casualties.

British military sources did not

say whether the main landing had

(Continued on Page 2, Col. 1)

NEWS ANALYSIS

The navy's counterpart of the army's Special Air Service. These are highly trained, professional units. The identities of officers and men usually are kept secret.

The advance party scouted Argentine positions around Grytviken, one of the island's two main harbors. Using small, high-fre-

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Argentine Mood Darkens

News of Attack Is Met With Disbelief, But Many Citizens Vow a Fierce Fight

By Edward Schumacher
New York Times Service

Buenos Aires — Argentines received the news of the British attack on South Georgia Island with disbelief.

The news spread slowly Sunday and built through the day, with announcements from London of British successes followed several hours later by communiques from the Argentine military junta that their soldiers were bravely fighting on.

It appeared that few Argentines expected the British to strike Sunday.

"How could they do this?" asked Manuel Solis, a news dealer. "The English are colonial pirates."

Battle News

The rallies and bravado of recent weeks have taken on the air of a soccer match, and many radio sportscasters interrupted their play-by-play commentaries of games Sunday to give the latest battle news.

Ordinary Argentines have never quite believed that the country's seizure April 2 of the Falkland Islands would lead to a war with the British.

But Sunday, on an otherwise quiet afternoon in this sprawling and cosmopolitan city, the atmosphere turned to one of grim concern as the news worsened.

"Of course, I'm scared," said Osvaldo Quevedo, 50, a salesman for a bakery. "Wouldn't you feel scared if you woke up

and there were thieves in your house?"

But fear and concern did not appear to translate into a willingness to concede to Britain. Mr. Quevedo, who said his only son is in the army, was standing in a line outside the joint military command headquarters to volunteer his services to the country. "You have to fight the thief," he said.

A Bitter Gathering

Late Sunday afternoon, hundreds of Argentines began to gather at the Plaza de Mayo, a park in front of the pink presidential palace that two weeks ago was the scene of a jubilant demonstration by more than 100,000 people. Sunday, many were bitter.

"We're going to fight to the death," said Alejandro Vázquez, as he stood with his wife and three young sons next to a statue of José de San Martín, the country's liberator. "If we lose in my lifetime, my sons will continue fighting until their death." His sons waved small blue-and-white Argentine flags as he spoke.

As the afternoon wore on, drivers began bonking their horns in a spontaneous gesture of patriotism. And in an apparent attempt to raise nationalistic feelings, television stations began repeating film clips of the earlier rally.

One of the reactions that American officials have feared was also evident Sunday.

Argentines have become in-



Demonstrating in Buenos Aires' Plaza de Mayo, United Press International

creasingly critical of an apparent pro-British tilt by the United States in the diplomatic attempts by Secretary of State Alexander M. Haig Jr. to defuse the crisis.

Much of that criticism turned to anger Sunday.

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Surprise and Reconnaissance Pay Off for British Attackers

(Continued from Page 1)

were supported by gunfire from the surface ships of the task force although they said such fire would be "a prudent measure" to break up Argentine resistance.

Before the attack began, intelligence personnel had reported to London that the main Argentine force was dug in around Grytviken with a small detachment deployed at Leith Harbor 20 miles (32 kilometers) to the northwest.

British military sources cautioned against making too much of the success on South Georgia. One pointed out that it was a limited operation skillfully carried out by a relatively small number of troops

against an enemy that had no air support. Conditions, he predicted, "will be a great deal different if we take a crack at the Falklands."

The successful operation obviously was not only to weaken Argentina's grip on the Falklands. But analysts emphasized there were sound strategic reasons for recovering the island that was occupied by Argentina on April 3.

Value of the Island

South Georgia is 800 miles east of the Falklands and out of range of Argentina's shore-based aircraft. It can provide fresh water for the British fleet. The large tanks at Grytviken, Leith and Schlieper Bay, once used for whale

oil, can be used for storing fuel for British ships and aircraft.

The success of the operation would be significant if Britain decided to maintain an air and sea blockade of the Falklands. They will be of marginal value if the next step is an invasion of the main islands.

The northern coastline of South Georgia invited invasion. It is dotted with sheltered, deep-water bays impossible to hold with the evidently meager resources of the garrison. The Argentines said they had 140 men on the island; British analysts believe the total was far smaller.

The Argentine Navy's role in defending the island was limited to the operations of a single submarine.

When Sen. J. Bennett Johnston, Democrat of Louisiana, portrayed NATO's northern flank in West Germany as weak and threatened, neither Mr. Perle nor the military attaché at the bearings pointed out that the United States moved a brigade into the north three years ago.

When Sen. Stevens launched an attack on American plans to shift U.S. Army forces from old barracks in the southeast of West Germany to positions closer to the East German and Czech borders, neither Mr. Perle nor the military attaché at the bearings pointed out that the United States moved a brigade into the north three years ago.

The commentary said any further escalation of the fighting would pose "great danger," especially to "those who provoke" it, but did not indicate what the dangers were.

Col. Donkin said Argentine forces fired the first shots in the engagement, opening up on British helicopters that flew over the submarine. A British strike was ordered in which helicopter gunships scored three direct hits on the Santa Fe, he said.

British vessels then began bombing the harbor, and under their covering fire, helicopters ferried the British troops ashore, Col. Donkin said.

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Lt. Col. Jim Donkin of the Royal Marines told reporters in London that a total of 140 Argentine prisoners taken at Grytviken on Sunday after the initial engagement included 60 crewmen from the Santa Fe, which was beached

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Veteran CIA Official Is Named to Replace Inman in No. 2 Post

By Lou Cannon

Washington Post Service
WASHINGTON — President Reagan has named John N. McMahon, a 31-year-veteran of the CIA, to be the agency's deputy director, the White House announced Monday. He will succeed Adm. Bobby Ray Inman, who is retiring.

The selection of Mr. McMahon, who now heads the CIA's foreign assessment division, is seen as an attempt to mollify members of the Senate Intelligence Committee, who have been openly skeptical about the expertise of the CIA's director, William J. Casey. Mr. McMahon has to be confirmed by the Senate after hearings by Senate's Select Committee on Intelligence.

Reflecting these concerns, Sen. Richard G. Lugar, a key committee member, said last week that Adm. Inman's abrupt announcement of resignation had created "a rather traumatic situation" in the agency.

Sen. Lugar, an Indiana Republican, had called a news conference to express his reservations about Mr. Casey and urged the administration to consult with the Senate committee before it selected a successor to Adm. Inman. Sen. Lugar said he was trying "to send some signals" to the White House.

These signals were heard by President Reagan and top aides, led by the national security adviser, William P. Clark. Administration sources said Sunday that Mr. McMahon, who also has Mr. Casey's confidence, was a unanimous choice in the administration, especially after senators, including Sen. Lugar and Henry M. Jackson, Democrat of Washington, passed

the word that the choice was fully acceptable to them.

Mr. McMahon, 52, a graduate of Holy Cross, joined the CIA in 1951 and has a wide range of experience in administrative, operational, scientific and technical positions in the agency. Midway in the Carter administration, he was appointed deputy director for operations, making him chief of CIA covert activities.

Last April, Mr. Casey named a political associate, Max Hugel, a deputy director for operations and Mr. McMahon took over as the director of the agency's National Foreign Assessment Center, an important position in which he was responsible for the production of classified intelligence.

On July 14, Mr. Hugel was forced to resign after reports that he had engaged in questionable stock market dealings. Since then, some members of the Senate Intelligence Committee, led by Chairman Barry Goldwater, Republican of Arizona, have openly questioned Mr. Casey's judgment and abilities.

Mr. McMahon has the reputation in the CIA as being an extremely competent technician.

Adm. Inman, 51, who also is well qualified technically, enjoyed an unusual measure of bipartisan confidence in Congress. He is given credit in the CIA and outside of it for helping to restore the image of an agency that was damaged by the disclosures of the Vietnam and Watergate years. Before joining the CIA, Adm. Inman was director of the National Security Agency.

His presence in the CIA's No. 2 spot in the Reagan administration helped to quiet persistent congressional concerns about Mr. Casey.

Aide Faces Dismissal Over Pentagon Leak

By Richard Halloran

New York Times Service
WASHINGTON — The Reagan administration has begun proceedings to dismiss a Pentagon official accused of unauthorized disclosure of secret information to congressional officials and the press.

Pentagon officials said Defense Secretary Caspar W. Weinberger and Deputy Secretary Frank C. Carlucci were infuriated by the article.

Mr. Weinberger minimized the story in public, saying the \$750 billion was derived from military "wish lists."

Mr. Carlucci ordered an investigation that included polygraph, lie-detector tests of civilian and military officials who attended or might have had knowledge of the briefing. He left off with himself and other high officials, including the chairman of the Joint Chiefs of Staff, Gen. David C. Jones.

That led to the notice of proposed dismissal to Mr. Tillson, who served as a captain in the Army in Vietnam and was twice decorated with silver stars for valor, according to his attorney.

Mr. Heller said that not only had Mr. Tillson denied the allegations under oath but that the five congressional staff aides and a former Pentagon official, and with having disclosed classified, including top-secret, information to unauthorized persons.

Mr. Tillson has been accused of disclosing official information to unauthorized persons, including five congressional staff aides and a former Pentagon official, and with having disclosed classified, including top-secret, information to unauthorized persons.

The case dates to January when staff aides in the Pentagon told senior officials in a confidential briefing that it might cost up to \$750 billion more than the \$1.5 trillion planned during the next five years for the armed forces to acquire the power needed to fulfill the Reagan administration's new military strategy.

That strategy calls on the military services to prepare for a protracted worldwide conflict with the Soviet Union, with conventional arms under a revitalized nuclear



Prime Minister Pierre Mauroy of France, right, applauds Premier René Lévesque of Quebec in Trois-Rivières.

French Prime Minister, in Quebec, Stresses Special Ties to Province

United Press International

TROIS-RIVIERES, Canada — French Prime Minister Pierre Mauroy has proclaimed close French ties with Canada, calling Quebec "a branch of the family tree."

"France wants to see friendly and normal relations with Canada," Mr. Mauroy told residents of Chicoutimi, Quebec, 300 miles (480 kilometers) from Quebec City on Sunday.

"But I emphasize that with Quebec we have special ties and cooperation," he said. "A branch of the family tree lived its life and chose its destiny. This branch that became autonomous, separate, forgotten and abandoned is found again forever. There will be no second desertion." Quebec, when it was New France, was ceded to Britain in 1763.

Mr. Mauroy, who is on a six-day visit to Canada, said the dialogue with Quebec "is not just a sentimental dialogue. It is, and will increasingly be in the future, cooperation of two peoples and economic, technical and industrial areas."

U.S.-Soviet Atom Unit Proposed to Avert War

By Phil Gailey

New York Times Service

WASHINGTON — Sen. Henry M. Jackson, Democrat of Washington, is urging the United States and the Soviet Union to establish a jointly manned communications center to ease what he describes as a growing concern that a nuclear war might be triggered by accident.

"It's the missing institution when we talk about nuclear arms control," Sen. Jackson said Sunday. "I think it goes to the heart of the nuclear fear in the world, the fear that a war might be started accidentally."

The proposal is still in a conceptual stage, Sen. Jackson said in an interview, but he added that he intends to send letters to President Reagan and to Soviet leaders asking for their reaction to "this expanded hot line." Mr. Reagan already has expressed interest in the idea, according to White House sources.

The senator said that the present hot line between the White House and the Kremlin is "a step in the right direction" but does not go far enough. "What we need is some kind of institutionalized mechanism to avoid miscalculation or misjudgment by either side," Sen. Jackson said. "I'm going to start fleshing out the idea and follow through with a letter to President Reagan. I'm also interested in seeing what the Russians think of it."

Sen. Jackson, a member of the Senate's Select Committee on Intelligence, said that the permanent communications center that he envisions would be in a neutral country, perhaps Switzerland, and would be manned around the clock by Soviet and U.S. officials, both military and civilian, with direct access to the highest levels of their governments.

Earlier in the day, the senator said, during an appearance on a

U.S. Senator, in Arms Hearings, Will Press for a Nuclear Summit

By Michael Getler

Washington Post Service

WASHINGTON — Charles H. Percy, chairman of the Senate Foreign Relations Committee, is to begin hearings Thursday that could be the most extensive and varied on the arms race in years.

He is convinced that nuclear arms control and a summit meeting between President Reagan and Soviet President Leonid I. Brezhnev are urgently required.

His idea is to pull together the debate over nuclear weaponry and war that is now sweeping the United States and Congress, then produce by May 18 a resolution to be sent to the Senate floor that could help focus concern and move the administration toward a course of action.

Not incidentally, it might also provide political shelter for Republicans who fear that the administration's lack of progress on arms control so far could hurt them in this election year.

Secretary of Defense Caspar W. Weinberger will lay out administration views on global strategy and the nuclear balance. Former defense secretaries Harold Brown and James R. Schlesinger will testify, as will leaders of the Ground Zero movement, which seeks to alert the public to the perils of atomic war, and groups advocating a nuclear freeze. Secretary of State Alexander M. Haig Jr. and Eugene V. Rostow, head of the Arms Control and Disarmament Agency, are also expected to appear.

Sen. Percy said he will press administration witnesses to put on the record "what they have said privately to me about their intentions to move ahead" with the U.S.-Soviet strategic arms reduction talks, or START.

Sen. Percy, Republican of Illinois, said in an interview that he feels those talks will be under way by midyear and that the administration "will be willing to commit to that." He says he expects an announcement of White House intentions on the talks to come well in advance of the president's scheduled trip to Western Europe in June.

There have been no talks between the superpowers on limiting ocean-spanning, nuclear-tipped missiles and bombers since mid-1979, when President Jimmy Carter and Mr. Brezhnev signed the SALT-2 agreement. But that was never ratified in Congress and was essentially killed by the Soviet intervention in Afghanistan and then by the arrival of the Reagan administration, which viewed the treaty as "fatally flawed."

"That can always be a real danger," he said. "World War I was not premeditated and designed. It was by accident and miscalculation."

The senator said that the present

running out and it is paramount that we get this under way."

Time is short for two reasons that Sen. Percy does not speak about publicly. One is that Mr. Brezhnev is 75 and ill. Another is that a new round of talks could run over into yet another administration with yet another point of view, which would leave the Russians skeptical.

For one event especially seem to be shaping Sen. Percy's thinking. One is his meeting with Mr. Brezhnev in Moscow in November, 1980. The senator said he reported to the president that he saw a deep desire for arms control in the Kremlin.

Another event was 22 years ago when, as a young industrialist, he was touring the North American Air Defense Command headquarters and there was a false alarm indicating the country was coming under missile attack.

Sen. Percy said, "There was panic. I saw it with my own eyes... What do we do and how many minutes to decide? My God, the chance that you could have miscalculation."

Reagan Says U.S. Needs Agreement On a New Budget

United Press International

WASHINGTON — President Reagan, declaring "let's get on with it," Monday urged budget negotiators to press their search for a compromise that protects his three key priorities — tax cuts, defense and spending reductions.

At the same time, the president held the door open for higher taxes to help reduce the deficit, offering a willingness "to look at additional revenue sources so long as they are not inconsistent" so long as tax cuts enacted last year.

A budget plan accepted by the administration and Democratic and Republican negotiators in the House and Senate "will speed our economic recovery," Mr. Reagan said in a speech to the U.S. Chamber of Commerce. "Let's get on with it."

"I hope we can reach a fair and bipartisan budget compromise," the president said. "I will go the extra mile to reach an understanding with members of Congress on both sides of the aisle, as long as a commitment to three essential priorities is maintained."

His priorities are increased spending for defense, "coordinated commitment" to the tax cut and a "long-term effort" to reduce government spending as a share of gross national product, "which means getting this budget under control once and for all."

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Victims of Cooking Oil in Spain Appear to Face Threat of Cancer

MADRID — A year after toxic cooking oil caused the first of 275 deaths in Spain, health authorities face the possibility of coping with the development of cancer in the 18,000 Spaniards known to have been poisoned by the oil, doctors here say.

Preliminary laboratory evidence suggests that the oil causes chromosome damage in both bacteria and in rats. Infants born to women who consumed the oil during pregnancy show signs of retarded growth, signaling probable genetic damage.

Such disruption of genetic coding considered the basis of the development of malignant tumors.

Even with such evidence in its preliminary stages, the danger of cancer in patients who consumed the oil is widely acknowledged by health professionals and researchers.

A half dozen senior doctors said in interviews that cancer was the likeliest result of the major physical disruption caused by the oil.

Monitoring Patients

Dr. Victor Conde, Spain's director of public health planning, said that the evidence of genetic mutation in the 18,000 Spaniards was still scant, but he said cancer was "a major concern in our follow-up of these patients."

He said the ministry had set

aside \$4 million to monitor the patients during the next 10 years.

Other doctors have been more categorical in their assertions. A member of the ministry's clinical committee, which has been following 2,000 patients since October, said cancer among the worst-affected seemed inevitable.

Another called the development of tumors an obvious possibility.

Both insisted their names not be used because of the sensitivity of the topic in Spain.

The oil has been off the market for 9 or 10 months. It was sold illegally in unmarked plastic containers door-to-door and at outdoor markets.

Poison Unidentified

The poison has still not been identified. But it is widely believed that the oil, which had been dyed to mark it for industrial use and then "refined" by its importers to sell as edible oil, set off a self-destructive process in the body.

Researchers say the poison was probably broken down immediately upon ingestion, making its identification extremely difficult.

The body reacted to the poison, it appears, by producing highly reactive compounds known as free radicals that tore away at cell membranes. Cells reacted by building scar tissue which, in the patients most severely affected, blocked major organs.

Most impaired were the nerves and muscles. Some patients suffered total paralysis. Other common symptoms were major weight loss, high fever and weakness.

Minor ailments, such as a common cold, were fatal to some.

Many patients have returned to work and a relatively normal life. But a doctor said: "Many have left the hospital, but no one has been cured."

The bodies of many are riddled with lesions and scar tissue and their ability to survive ailments in the future is in doubt.

At least one doctor expressed optimism. Dr. Angel Pertana, who coordinates toxic oil research for the country's Senior Research Council, said he thought it possible that some of the lesions would reverse themselves.

Dr. Antonio Noriega, director of one of Madrid's major hospitals, says that the death rate has fallen off dramatically in recent months and that the biggest problem now is the long-term effects. He was pessimistic about how many patients would be able to avoid cancer.

The Health Ministry estimates that health care has already cost \$50 million. Despite plans to monitor the patients for the next decade, a doctor, when asked what could be done for them, responded: "Sit down and cry."



Hans Matthöfer

4 Ministers Are Replaced By Schmidt

By John Vinocur

New York Times Service

BONN — Chancellor Helmut Schmidt, in an apparent attempt to give a sense of new activity and ideas to his government, will announce Cabinet changes, including a new finance minister, in the next few days.

A government spokesman gave few details, but sources close to the chancellor said the major change would be the nomination of Manfred Lahmstein, who has served as chief of staff in Mr. Schmidt's office, as finance minister.

The appointment is unusual and politically controversial in a number of respects. In naming Mr. Lahmstein, Mr. Schmidt is choosing a young official who is well-liked and respected but who has been under investigation for two months on suspicion of having taken bribes.

Mr. Lahmstein, like his predecessor, Hans Matthöfer, who is expected to become postal minister, is among a group of officials being investigated since February in a case involving the possible acceptance of political contributions in return for providing tax advantages to corporations.

No Effective Office

Rather than smooth out difficulties within the Social Democratic Party's left- and right-wing factions, the appointment was likely to aggravate them further.

Mr. Lahmstein, 44, is known as a moderate. He has never held elected office.

The reaction to his choice by Mr. Schmidt from the party's left wing was close to fury, with a left-wing representative, Heide Simonis, calling it a "scandal."

She said: "I consider it absolutely unheard of that one of the most important and sensitive political posts there is goes to a civil servant who isn't a member of parliament."

New Spokesman

Mr. Matthöfer is leaving the Finance Ministry because he has a heart ailment and because he wanted a less demanding post while remaining in the Cabinet.

There was also unfavorable comment about the circumstances surrounding the change in which the government spokesman, Kurt Becker, is to be replaced by Klaus Bölling, who had served as Mr. Schmidt's spokesman until being named as West Germany's chief representative in East Berlin two years ago.

A number of editorialists have written that Mr. Becker, an unusually frank and accessible spokesman, was being dismissed, one of which carries a minimum five-year jail term.

Monday's charge was in connection with a letter Mr. Ecevit wrote to a Dutch journalist this year. News of that letter was later broadcast on the British Broadcasting Corp.'s Turkish service, the lawyers said.

Mr. Ecevit contends that the letter was private and that he had no idea that it would reach the BBC, the lawyers said.

Turkey's military leaders have issued a decree banning former political party leaders from making public political statements. The penalty for violating that rule is a maximum term of a year in prison. Monday's charge was made under that decree.

Mr. Ecevit, former leader of the left-of-center Republican Peoples' Party, has already spent two months in jail for violating the decree.

French Jet Kills Woman

The Associated Press

BORDEAUX — An empty French jet fighter, from which the pilot had safely ejected, crashed into an automobile near the Bordeaux airport Monday, killing a woman driver, the authorities said.

Mr. Becker, in one of his last acts, said that the chancellor's new Cabinet officials would receive letters of appointment on Wednesday and be sworn in Thursday.

All the posts in involve members of the Social Democratic Party or, in Mr. Becker's case, people who held no party membership but had close personal ties to Mr. Schmidt.

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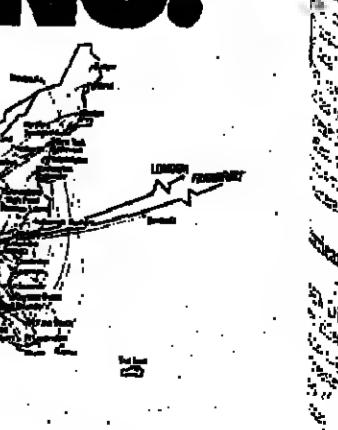
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Pecking Disorder Roils S. China Sea Island

Rats Eat Chickens, Outfox Experts and Leave Soldiers Hungry for Eggs

By Christopher S. Wren
New York Times Service

PEKING — From a cluster of bleak islands in the South China Sea comes word of a beleaguered unit of Chinese soldiers locked in bitter ecological combat over a flock of chickens.

The islands, called the Xisha by China, also happen to be claimed by Vietnam, which refers to them as the Paracels.

To prove that the disputed islands are really the Xisha and therefore Chinese, Peking has stationed troops on some of the more hospitable atolls and reefs, which are prized for bird fertilizer onshore and potential oil reserves offshore.

Raising chickens as a sideline is nothing new in the Chinese Army, whose soldiers, usually country boys, grow assorted livestock and crops to augment their military rations.

No problem was foreseen when the soldiers had some chickens shipped over to relieve their monotonous diet with occasional fresh eggs.

But as China Daily related the story from the latest issue of the Peking-based magazine Nature, the chickens were not so docile. They flew the coop for the call of the wild, laying eggs haphazardly as they wandered.

For a while, the soldiers beat the nearby bushes for their eggs. Then the island's chickens, which had been hatching and multiplying from unrecovered eggs, began to disappear. The soldiers discovered on their patrols that predatory rats, some weighing more than two pounds each, were getting to the chickens first and making meals of them.

Rat-control experts were sent over from headquarters to assume the offensive against the gigantic rats. The rodents, heeding Mao's classic dictum on guerrilla warfare, retreated

as the enemy advanced and, when the rat-control experts departed, scurried back in force.

The embattled garrison requisitioned cats from the mainland. The cats appeared and then deserted. They dodged combat with the fierce rats and more prudently concentrated on stalking and devouring the rare birds that also inhabit the island.

Dogs were sent in to discourage the cats who were chasing the birds instead of the rats who were killing the chickens that laid the eggs that the soldiers had wanted for dinner.

The cats scammed up trees and bushes and the dogs were left with nothing to do but bark and fight with each other.

According to Li Hengmao, Nature's correspondent, the soldiers have requested the assistance of ecologists who can come in and untangle the order of battle.

Protesters Quelled During Bush Visit to Seoul

From Agency Dispatches

SEOUL — Hundreds of riot police broke up an anti-government demonstration Monday night outside a Seoul cathedral hours after Vice President Bush passed on praise from President Reagan to South Korean authorities.

Mr. Bush handed a letter to President Chun Doo Hwan earlier Monday from Mr. Reagan that congratulated the Seoul government for its steps it had taken toward national reconciliation.

The demonstration took place after a Mass for a priest arrested for alleged involvement in arson of U.S. Cultural Center. It was attended by more than 2,000 persons crowded into the Roman Catholic Myeongdong Cathedral.

At the Mass, Archbishop Youn Kong Hi criticized the Korean government for detaining the priest, Choi Ki Shik, who was accused of sheltering suspects sought in connection with the

March 18 arson of the cultural center in Pusan.

"Father Choi did nothing but his duty," said Archbishop Youn, one of the anti-government leaders who had met privately with Mr. Bush Monday morning.

Police Were Waiting

The demonstration began as the Mass ended. Hundreds of youths armed linked and singing "We Shall Overcome," surged out of the cathedral. Riot policemen, armed with clubs and waiting in lines outside the cathedral, quickly dispersed them.

In his letter to Mr. Chun, Mr. Reagan said: "I believe that the steps you have taken toward national reconciliation since you took office last year are most encouraging. I would sincerely hope that the restoration of stability in Korea would permit the continuation of that process in the future."

Mr. Chun was appointed by the

military in May, 1980. He later reinstated the constitution and held legislative elections. But the regime continues to arrest dissidents, and a group of religious leaders have accused it of repression in the name of anti-Communism.

Mr. Bush's visit here, part of a five-nation Asian and Pacific tour that started in Japan, was the highlight of ceremonies commemorating the centennial of U.S.-Korean diplomatic relations.

The vice president attended a breakfast hosted by Ambassador Richard L. Walker, had lunch with Mr. Chun and then addressed a special session of the National Assembly.

Mr. Bush told lawmakers that the opportunities for political pluralism are strong in South Korea and added the United States sees "political diversity as a source of strength, not of weakness."

He told the National Assembly

A Fragmented Opposition in India Is Trying to Re-establish Strength

By Michael T. Kaufman
New York Times Service

NEW DELHI — A month before key elections are to be held in four Indian states, the leaders of the fragmented opposition factions are stirring and tending with each other in the hope of establishing advantageous coalitions.

With the ruling party of Prime Minister Indira Gandhi facing its own serious conflicts and internal tensions, the coming elections offer the opposition groupings their best opportunity for recovering some of the influence they held until their Janata Party alliance disintegrated three years ago. At the same time, the same rivalries and personality clashes that underlined Janata are still making real unity elusive if not impossible.

Common Sense

For example, Moraji R. Desai, the 86-year-old former Janata prime minister, said recently that he had been "stabbed in the back" by Charan Singh, the 80-year-old leader of an agrarian populist faction that had been a component of the Janata amalgam. Mr. Singh played his part in the discordant political fugue by expelling three influential members of Parliament from his party after they advocated joining forces with other centrist offshoots of the Janata.

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How Morgan helps treasurers make money in today's tough money markets



Four of the Morgan officers who solved a client's long-term financing problem with a foreign currency borrowing privately placed and hedged into U.S. dollars. From left, Jonathan Seem, head of the bank's Far West Department; Maureen Hendricks, International Financial Management; Robert Engel, Executive Vice President and Treasurer; Bruno Eberli, Foreign Exchange Trading.

Succeeding in world financial markets may be even tougher tomorrow than it is today. The choices are multiplying. The risks are rising. The rules – and rates – keep changing. Now, more than ever, corporate treasurers need up-to-the-minute money-market information, sound advice, timely execution. And ideas.

Any bank can lend you money at a rate. At The Morgan Bank we try to add value. How? By coming up with innovative solutions to short- or long-term financing needs. By understanding and anticipating developments in the world's money and capital markets. By helping you act in time.

Here's why treasurers of major multinationals increasingly turn to Morgan to achieve corporate funding and investment goals.

Morgan gives you experience. No bank knows more about the interrelated elements that affect financial markets—interest rate differentials, currency fluctuations, capital flows, central bank strategies. Around the world, around the clock, Morgan people exchange vital information and ideas. They learn what's going on, and so will you.

You'll get a global perspective—from the country-by-country analyses of our international economists to interest rate and currency judgments by our foreign exchange specialists.

Morgan concentrates. We specialize in serving corpo-

centralized all our money-market activities in our Treasurer's Division. Whether located in New York or in other world financial centers, our traders, analysts, and portfolio managers are close to their markets and in constant communication with each other. And their expertise is readily available to all our banking officers.

This unified approach gives Morgan and its clients more speed, more contact, more *knowledge* than ever before.

Morgan's needs parallel yours. Our treasurer needs to raise funds and invest for our bank just as you do for your company. Since our interests are alike, we use the same skills, data, and advanced technology to help you that we use to manage our own portfolio and worldwide positions.

Morgan is fast. You'll be impressed by how quickly we respond to your requests and make major commitments. That's because we know the sources and users of funds, how to gain access to them, and the best choices to meet your corporate needs. And we're not bound by red tape. Morgan officers have the authority to make decisions on their own — the instant.

Morgan is a market-maker. We make markets in U.S. government and agency securities, municipals, Euro-bonds, foreign currencies. We also deal in our own and other banks' CDs.

The markets we make are large enough so that even our biggest clients can deal within them—and know that Morgan spreads will be among the most competitive they've ever seen.

Morgan helps you manage liquidity. When you have surplus funds to invest we give you a choice of investment options that cover the full spectrum of money-market instruments. When you need money we provide competitive short-term credit for working capital and other purposes, in dollars and local currencies.

Morgan is good for the long term. Among the growing number of longer-term financing options we offer are loans for fixed assets and for project development. Morgan also arranges private placements in various currencies with U.S. and foreign investors. Through our London subsidiary, Morgan Guaranty Ltd, we're one of the fastest growing underwriters of fixed-rate, floating-rate, and convertible securities in the Eurobond market.

Morgan gives you ideas. Because The Morgan Bank makes major commitments as principal in both capital and foreign exchange markets, we can often help reduce the cost of your dollar and foreign currency financings. We can also show you how to reduce the effective costs of your *total* financing through efficient tax planning. We'll develop new ways to protect you against foreign exchange exposures. And we'll alert you to hedging and arbitrage opportunities.

Morgan is ready to help. Talk to the Morgan officer who serves your company, or write directly to Robert G. Engel, Executive Vice President and Treasurer, Morgan Guaranty Trust Company, 23 Wall Street, New York, New York 10005.

BUSINESS NEWS BRIEFS

Compiled From Agency Dispatches

AT&T to Register 10-Million Shares

NEW YORK — American Telephone & Telegraph said Monday that it plans to file a standing registration statement with the Securities and Exchange Commission for the issuing of as many as 10 million additional common shares.

AT&T noted that, under a temporary SEC rule, companies may file a "shelf registration" that allows them to sell securities at an unspecified later date without additional SEC clearance.

AT&T said it decided to participate in the new registration procedure as an additional way to raise equity. In the past the company has increased equity through a dividend reinvestment and stock-purchase plan, employee savings plans and through underwritten public stock offerings.

IH Moving on Loan Pact Changes

CHICAGO — More than a half of International Harvester's request to 193 creditors have agreed to liberalize two provisions of its recent \$4.1-billion loan restructuring agreement, so that IHI will not default on the loans at the end of April, sources close to the company said Monday.

The maker of farm machinery is seeking unanimous creditor approval by Friday to amend an agreement that commits it to maintain a net worth of at least \$1 billion, the sources said. IH has also asked lenders to relax the required debt-to-equity ratio from a maximum of four at the end of each quarter to a ratio of roughly five, they said.

U.S. Paper Plans European Edition

NEW YORK — The Wall Street Journal will publish a new international edition in Europe starting early next year, the newspaper announced Monday. The English-language edition is expected to be edited and published in Brussels and in The Hague, the Netherlands, and distributed in Europe and parts of the Middle East. Customers in those areas currently receive an air-mail edition.

Philippines to Assist Copper Mines

MANILA — The Philippine Central Bank is developing a financing assistance package to ensure that mining firms will not be forced to unload output or close during the current downturn in commodity prices, the bank's governor, Jaime Laya, said Monday.

He said most of the country's copper mines have been selling the metal for less than extraction cost, a situation that he called "morally wrong" as the resources being sold were non-renewable.

Ford U.K. Not Satisfied With Results

LONDON — Sam Toy, chairman of the Ford's British Subsidiary, said Monday that a 0.26-percent fall in pre-tax profits last year from 1980 was "unsatisfactory" despite the current depressed conditions in the auto industry.

He said the country's largest private automaker with nearly 31 percent of the market was "not getting adequate returns from our manufacturing and trading operations... [due to] low productivity." The effects of Ford's cost reduction program began to appear in 1981, he said, but more rapid progress is necessary.

IRI Planning 10-Billion Yen Bond

TOKYO — The Italian state holding company, Instituto per la Riconstruzione Industriale, has signed a contract to privately issue a 10-billion-yen Samurai bond, to be offered with a Japanese consortium, the Industrial Bank of Japan said Monday as lead manager.

The 12-year 8.5-percent bond is priced at 99.50 percent to yield 8.584 percent. It is the first yen-denominated bond issue by an Italian concern, the bank said.

Fuller Buys Assets of Schering Unit

ST. PAUL, Minn. — H.B. Fuller, a maker of industrial adhesives, said Monday that it will purchase the assets of Schering's Isar-Rakoll Chemical group for an undisclosed amount. The assets include worldwide licensing arrangements, manufacturing plants and equipment, product formulas and trade information.

The Munich-based Isar-Rakoll manufactures adhesives for the shoe, woodworking, furniture and auto industries with operations also in Austria, the Netherlands, Belgium, Spain, Portugal and Britain.

Strong Dollar Hurting IBM's Results

JACKSONVILLE, Fla. — The president of International Business Machines, John O'Farrell, said Monday that the adverse effect of foreign currency translation on quarterly results will not level off until after the second half of the strength of the dollar relative to foreign currencies remains constant throughout the year.

He told shareholders that if the dollar gets any stronger, comparisons with 1981 results could be depressed for the year. Foreign currency translation reduced revenues for 1981 by more than \$2 billion and net income by more than \$600 million, Mr. O'Farrell said. IBM earned \$3.31 billion on revenues of \$29.1 billion in 1981.

GM's J-Car Campaign Hits Snags

DETROIT — General Motors' subcompact J-cars, designed to compete with imports and boost slumping sales, are in a slump of spotted performance.

The automaker "did not do the best job in the world introducing that car," said Donald McPherson, vice-president and an executive in GM's North American car group. "In retrospect, we made several mistakes."

Among them, he said, was the company's attempt to market as do Japanese automakers, offering a "complete" car with features that usually are optional on domestic models.

"We used the approach [that] the public was ready, willing and waiting for a fully equipped car. That, by necessity, forced it into a dismal future."

Introduced in May, 1981, the J-cars — the Chevrolet Cavalier, Pontiac J2000 and Cadillac Cimarron — have attained less than half of their expected sales of more than 417,000 for their first 11 months on the market.

The swollen inventories have sparked plant closings and added to the growing number of laid off GM autoworkers as the automaker's overall year-to-date sales are down 17.5 percent from the depressed level of a year ago.

Late on Market. GM's problems started as the J-car's introduction lagged far behind introductions by GM's domestic rivals, which are selling well. Then a \$50-million promotion sendoff brought customers to dealer showrooms before many cars were in stock.

CURRENCY RATES

Interbank exchange rates for April 26, 1982, excluding bank service charges.

	S.	E.	D.M.	F.F.	IL.	SEK.	£.	DK.
Amsterdam	2.624	4.639	111.90*	42.445	—	5.87	134.43	22.69
Brussels (ct)	4.474	79.076	18.87	7.225	3.414*	17.68	—	2.24
Frankfurt	2.27	4.854	—	—	1.803*	20.25	5.282*	1.803
London (b)	1.763	—	42.161	10.978	2.02645	4.67	21.45	2.026
Milan	1.151.015	2.214.5	—	—	—	47.54	29.272	48.44
New York	4.19	10.225	20.639*	8.0763	3.278	0.2228	0.772	0.2228
Paris	1.59	3.773	42.12	0.7165	—	74.45	4.703	—
Zurich	1.954	3.443	81.955*	31.425*	1.349*	—	—	—
1 ECU	1.069	5.59	2.366	1.225	1.118.2	2.469	45.074	1.958
1 SDR	1.222	0.834	2.615	1.470.07	2.959	30.224	2.776	9.217

Dollar Values

S.	U.S.	Euro.	Per	S.	U.S.	Euro.	Per	S.	U.S.	Euro.	Per
N.A.	Australia \$	N.A.	0.804	Israel shekel	22.33	0.437	Sweden 5	2.115	—	—	—
0.86	Austrian schilling	14.26	0.067	Japanese yen	228.33	1.048	S. African rand	0.9235	—	—	—
0.8204	Belgian franc	2.094	0.420	Kroenkrone	0.2665	0.0714	S. Korean won	72.258	—	—	—
0.724	Canadian dollar	1.374	0.724	Malaysian ringgit	2.2265	0.0791	Spanish peseta	104.85	—	—	—
0.7257	Danish krone	0.4338	0.1651	Portuguese escudo	0.7865	0.1765	Taiwan 50	28.55	—	—	—
0.7159	French franc	4.573	0.1791	Swiss franc	0.795	0.2029	Taiwan 100	5.41	—	—	—
0.7177	Greek drachma	1.225	0.2915	Thai baht	0.4305	0.2723	U.S. dollar	2.672	—	—	—
1.4975	Hong Kong \$	5.9245	0.2915	Saudi riyal	0.2723	0.2723	U.S. dollar	2.672	—	—	—
0.8841	Irish £	—	—	—	—	—	—	—	—	—	—

*Sterling: 1.218 (high L.)

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 100. (x) Units of 1,000.

Pan Am Plan Is Seen Flying — in Short Run

By Agis Salpukas

New York Times Service

NEW YORK — The big push

that could determine its survival

has begun at Pan American World

Airways. A major ad campaign to

lure people to its international

destinations is in place, as are union

concessions that should enable the

airline to increase its operations by

12 to 15 percent without raising

costs.

In addition, encouraging signs,

such as lower fuel prices and an

upturn in travel, have developed

since C. Edward Acker, Pan Am's

chairman and chief executive officer,

adopted last autumn the strategy

of trying to fly the airline on

its huge operating losses, which

totaled \$364 million last year.

"It's like a guy trapped in a coal

mine trying to dig his way out with

his hands," he added.

But Mr. Acker, who was betting

on a modest increase of about 2

percent on international revenue

passenger miles this year, said the

recent outlook is more encouraging.

Early bookings on Pan Am are

higher than last year, he noted.

Passport applications are also up,

a sign that overseas travel in general

will grow.

In addition, the strength of the

dollar could lure more travelers

overseas. Short of a war in the

Middle East, which could disrupt

the supply of fuel and greatly in-

crease prices, or a further weaken-

ing in the economy, which could

lead to a collapse in the travel mar-

ket, Mr. Acker said, he believes he

can keep Pan Am on its present

course.

He hopes that Pan Am, which

has been losing about \$1 million a

day on an operating basis, will

post a small operating profit this

year, or at least break even.

For the short term, the strategy

of increasing flying time without

added cost is viewed as the right

one by some analysts, even those

who are skeptical that Pan Am will

ultimately solve its problems. "It's

the only way to go," Mr. Low-Bee

of L.F. Rothschild said.

But they are not as sanguine

about the longer term. Anthony

Low-Bee, an airline analyst with

L.F. Rothschild, Unterberg,

Towbin, said that even if Pan Am has

one of the oldest fleets in the

industry and has not ordered any

Japan Delays Measures To Ease Import Curbs

Reuters
TOKYO — Japan will not announce the second package of import-opening measures on May 1, as scheduled, chief Cabinet secretary Kiichi Miyazawa said Monday.

The country also announced that it will send a mission to the United States, Britain and West Germany for two weeks starting May 11 to counter growing criticism that its import markets are closed to foreign interests.

Mr. Miyazawa told a news conference that a meeting between the government and the ruling Liberal Democratic Party scheduled for Monday to discuss liberalizing food imports was canceled.

Mr. Miyazawa said a meeting of economic affairs ministers, scheduled May 7 to adopt the new measures, would be postponed until later that month, or shortly before the summit of the seven major in-

China Gets Japanese Loan
Reuters
TOKYO — China has signed an agreement for a \$6-billion-year (\$248-million) loan from the Japanese government, Japanese officials said Monday. They said two-thirds of the 30-year loan, which carries interest of 3 percent a year, will be used for financing construction and expansion of seaports and railways, and the rest will finance imports of such items as fertilizers and steel.

Auto Unions Begin Talks To Press Japan on Wages

The Associated Press

TOKYO — Japanese auto unions leaders are expected to be asked to push harder for higher wages at a meeting of union leaders from several countries here this week.

The president of the United Auto Workers, Douglas Fraser, arrived Monday evening along with nine other leaders of the U.S. union, joining Mostyn Evans, general secretary of Britain's transport and general workers union, and labor leaders from West Germany, France, Italy and Sweden.

A UAW spokesman said: "Mr. Fraser will ask Ichiro Shioji, president of the Japanese autoworkers union, to put more pressure on Japanese automakers to increase wages so that Japanese and U.S. auto labor costs are 'in harmony.'

Avoiding a Backlash

The UAW spokesman also said that Mr. Shioji supports investments by Japanese automakers in the United States.

"When you have the kind of imbalance that exists right now, with a \$13-billion trade deficit between the United States and Japan alone, Shioji and the other Japanese realize there could be even more restrictive measures, which could have an even more restrictive impact," the spokesman said, referring to a pick in Congress to seek out low wage areas."

A Chrysler executive has estimated that the labor costs of a U.S.-made car are \$1,700 above those of a car made in Japan.

One purpose of the Tokyo meet-

Pessimism Rising In West Germany, IFO Study Says

Reuters

MUNICH — West German companies are increasingly pessimistic about business prospects for the next six months, the IFO economic institute said Monday in its monthly report.

The report, based on a questionnaire, said falling demand and a slight rise in production led to a sharp drop in orders in hand last month, with many firms expecting a further decline.

Export business is likely to remain healthy but production plans for the next few months show no evidence of a pick up in industrial activity, IFO said. The generally pessimistic evaluation was common to most sectors, though less marked in the investment goods sector where engineering firms were confident of strong demand from abroad.

COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated.

Great Britain

Ford Motor

Year: 1981 1980
Revenue: 3,070.0 2,920.0
Profits: 220.0 226.0

United States

Crane

1st Quar. 1982 1981
Revenue: 934.0 1,010.0
Profits: 2.7 24.7
Per Share: 0.18 1.14

Norfolk & Western Railway

Year: 1982 1981
Revenue: 4,842 4,498
Profits: 89.00 76.00
Per Share: 2.70 2.40

Occidental Petroleum

1st Quar. 1982 1981
Revenue: 4,200.0 3,400.0
Profits: 62.10 255.5
Per Share: 0.41 3.00

Pennzoil Corp.

1st Quar. 1982 1981
Revenue: 582.1 687.9
Profits: 39.90 60.20
Per Share: 0.76 1.14

Rockwell International Corp.

2nd Quar. 1982 1981
Revenue: 1,800.0 1,790.0
Profits: 94.00 92.00
Per Share: 1.24 1.22

1st Half

Revenue: 3,450.0 3,400.0
Profits: 155.7 148.0
Per Share: 2.00 1.89

Safeway Stores

1st Quar. 1982 1981
Revenue: 3,990.0 3,990.0
Profits: 16.00 19.20
Per Share: 0.61 0.74

Tosco Corp.

1st Quar. 1982 1981
Revenue: 822.0 762.4
Profits: 0.50 267.80
Per Share: 0.02 1.78 Loss

Union Oil of California

1st Quar. 1982 1981
Revenue: 2,680.0 2,680.0
Profits: 168.5 154.5
Per Share: 0.97 0.89

Chip Makers See Signs That Slump Is Easing

By Andrew Pollack
New York Times Service

NEW YORK — The U.S. semiconductor industry is showing signs of emerging from its protracted slump.

Industry executives and analysts say new orders are at their highest in nearly two years, excess production capacity is diminishing and prices have firmed.

No one, however, seems willing to proclaim that a recovery is at hand. They fear the upturn might be temporary, especially if the overall economy does not improve.

Gordon E. Moore, chairman and chief executive officer of Intel Corp., said, "Things certainly have gotten better looking over the last couple of months."

He cautioned, however, that "it doesn't quite seem right; it's hard to believe that we're so out of phase with the general news."

Anthony R. Hamilton, chairman of Avnet, the largest distributor of electronic components, said, "The warm feeling I had in March is getting warmer." He added that, if strength continued through May, he would be willing to say the recovery has arrived.

The semiconductor slump has lasted for about a year and a half, depressing earnings at all semiconductor companies and dragging some, such as National Semiconductor and United Technologies' Mostek, into the red. The slump was partly the result of the general recession.

They said ministry officials and executives from banks and securities houses would focus on the use in capital transactions since Japan revised its foreign exchange law in December, 1980. Also, last month Japan passed a new banking law giving equal treatment to foreign enterprises here than to domestic firms.

Mr. Miyazawa said a meeting of economic affairs ministers, scheduled May 7 to adopt the new measures, would be postponed until later that month, or shortly before the summit of the seven major in-

ustrial countries in Versailles, France, June 4 to June 6.

The new measures would be the second such package in three months as part of Japan's efforts to defuse demands by the United States and the European Economic Community that it open its markets to more imports.

Typical of the rising trade tension was a warning Monday in Hong Kong by R. Timothy McNamara, the deputy secretary of the U.S. Treasury, that Japan must open its domestic market to foreign manufactured goods and financial services or the country could face economic isolation.

He said that recent Japanese relaxation of some trade barriers is a start, but "grudging liberalization undertaken only after intense pressure and threats from trading partners, is not a creditable or sustainable policy."

Finance Ministry officials said the May mission will explain that the country's banking and securities business sometimes offers more favorable conditions to foreign enterprises here than to domestic firms.

They said ministry officials and executives from banks and securities houses would focus on the use in capital transactions since Japan revised its foreign exchange law in December, 1980. Also, last month Japan passed a new banking law giving equal treatment to foreign enterprises here than to domestic firms.

At Intel, the creator of semiconductor memory technology and a leading semiconductor maker, new orders exceeded shipments in the first quarter of 1982 for the first time in seven quarters. Even in Europe, which was particularly hard-hit by the slump, business seems to be picking up, Mr. Moore said.

Texas Instruments, at its annual meeting this month, also said demand for semiconductor products had increased in the last few months. Company executives predicted a 10-percent increase in worldwide sales for the semiconductor industry in 1982, to \$14.5 billion.

Another factor was excess capacity, which helped precipitate a steep decline in prices, particularly of memory chips. In addition, Japanese companies gained market share from domestic producers, aggravating excess capacity and the price competition by selling some chips at prices below prevailing market rates.

Orders Exceed Shipments

The strongest sign of recovery is that orders received by U.S. companies in the three months ended in March were the highest since May, 1980, according to the Semiconductor Industry Association, a trade group. In addition, new orders received in the first quarter exceeded shipments by 18 percent, an indication that future sales might be greater than current sales.

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Signs of a possible recovery have not been lost on Wall Street. While semiconductor stocks are well below their 1980 and highest 1981 levels, they have generally risen since January.

James L. Barlage, an analyst with Smith, Barney Harris Upham, said the industry was starting to exhibit the same pattern that marked the turnaround after the 1970 and 1975 slumps. "All the benchmarks are being met," he said.

However, Gregory P. Richards, an analyst with Morgan Stanley, said he is not convinced that a recovery has started and is not recommending semiconductor stocks. "Orders have improved; the stocks are cheap, so people have bought stocks," he said.

Saudi Budget Suggests Higher Oil Production

Reuters

RIYADH — Saudi Arabia's oil output for the new fiscal year will have to exceed the kingdom's current ceiling of seven million barrels a day to meet revenue projections, diplomats and bankers in the kingdom say.

The Saudi Cabinet approved Friday a balanced budget of \$13.4 billion (rivals \$91.4 billion) for fiscal 1983, which began Saturday.

Saudi oil production has slipped in recent months to slightly below seven million barrels a day from 10 million last year, oil analysts in the Gulf estimate.

Saudi Arabia, by cutting its production, has been leaving efforts in OPEC to prevent a further drop in prices.

In what they stressed were very preliminary assessments of the budget, the diplomatic and banking analysts estimated that oil output would have to average 7.2 million to 7.5 million barrels a day to meet spending goals, assuming oil prices do not rise.

Some analysts said they were skeptical about the revenue figure in the new budget. "It looks like

Pan Am Strategy Seen Workable in Short Run

(Continued from Page 9)

airlines Braniff International, would be expensive in terms of severance pay, Mr. Acker said. And he added that he could not trim the overhead fast enough to keep up with the loss of revenue that would result from layoff cuts.

Instead, he explained, he sees Pan Am as an industrial plant. "We've got a factory here," he said. "That's all a bunch of airplanes are a factory. It's underutilized; it's got the people to run it. It's got the machines. So we need to take that factory and up the production in order to cover all the discounting as it has done on some domestic routes.

is expected to moderate. For the first time in five years carriers on trans-Atlantic routes have been able to agree on a fare increase. A 10 percent rise went into effect April 1, and an additional increase is scheduled for Saturday. The accord was reached in conferences of the International Air Transport Association, an industry trade group.

Instead, he explained, he sees Pan Am as an industrial plant. "We've got a factory here," he said. "That's all a bunch of airplanes are a factory. It's underutilized; it's got the people to run it. It's got the machines. So we need to take that factory and up the production in order to cover all the discounting as it has done on some domestic routes.

Mr. Low-Bee added that the carrier would become even less competitive, particularly on its domestic routes, which account for about 30 percent of its operations, as other airlines this year begin to phase in a new generation of more efficient aircraft, such as the Airbus 300 and the Boeing 767.

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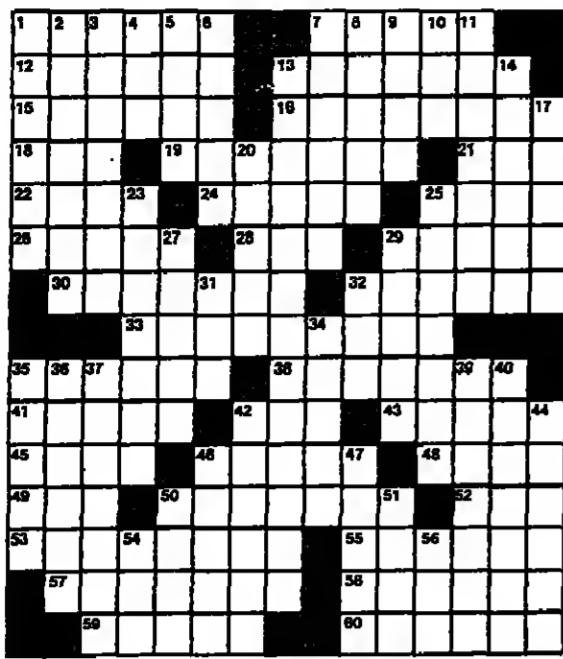
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CROSSWORD Edited by Eugene T. Maleska

ACROSS

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5 Makes reparation
6 Ejected
7 Tease
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DOWN

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54 Speech defect
55 Golf great
56 One at a time

WEATHER

	HIGH	LOW	HIGH	LOW	HIGH	LOW
ALGARVE	17	15	Cloudy	LOS ANGELES	13	7
ALGIERS	17	13	Cloudy	MADRID	13	7
AMSTERDAM	17	13	Foggy	MOSCOW	13	7
AMMAN	15	9	Cloudy	MEXICO CITY	27	11
ATHENS	16	6	Fog	MIAMI	24	8
AUCKLAND	17	14	Foggy	MILAN	18	4
BAKU	15	12	Cloudy	MONTREAL	22	10
BALTIMORE	15	12	Rain	MOSCOW	13	7
BELGRADE	14	5	Cloudy	MUNICH	16	5
BERLIN	13	5	Overcast	NAIROBI	23	7
BEST	14	10	Cloudy	NASSAU	23	12
BRUSSELS	15	10	Cloudy	NEW DELHI	23	12
BUCHAREST	15	9	Cloudy	NEW YORK	19	4
BUDAPEST	15	9	Foggy	NICE	16	4
Buenos Aires	15	10	Foggy	OSLO	15	3
CAIRO	20	14	Fog	PEKING	25	12
CAPE TOWN	25	17	Foggy	PRAGUE	5	4
CASABLANCA	21	10	Foggy	REYKJAVIK	4	4
CHICAGO	14	10	Foggy	RIO DE JANEIRO	15	4
COPENHAGEN	14	7	Fog	RIO DE JANEIRO	15	4
COSTA DEL SOL	14	11	Cloudy	RIO DE JANEIRO	15	4
DAMASCUS	20	15	Cloudy	RIO DE JANEIRO	15	4
DUBLIN	15	10	Foggy	SAO PAULO	23	12
EDIMBURGH	15	9	Cloudy	SEGOVIA	23	12
FLORENCE	23	13	Cloudy	SINGAPORE	17	5
FRANKFURT	10	20	Cloudy	STOCKHOLM	7	5
GEREVA	20	13	Cloudy	SYDNEY	24	7
KARAKA	20	23	Cloudy	TAIPEI	23	7
HELSINKI	7	45	Cloudy	TOKYO	23	7
HONG KONG	20	29	Cloudy	TOKYO	23	7
HONG KONG	20	29	Cloudy	TOKYO	23	7
ISTANBUL	15	39	Cloudy	TUNIS	17	5
JERUSALEM	29	19	Overcast	VENICE	18	4
LAS PALMAS	24	72	Fog	VIENNA	18	4
LIMA	20	29	Fog	WIASAWA	7	43
LISBON	20	48	Fog	WASHINGTON	19	44
LONDON	12	35	Cloudy	ZURICH	13	35

Readings from the previous 24 hours.

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April 26, 1982

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(c) semi-monthly; (d) monthly; (e) bi-monthly; (f) quarterly;

(g) semi-annually; (h) annually; (i) quarterly; (j) monthly; (k) quarterly;

(l) monthly; (m) quarterly; (n) monthly; (o) quarterly; (p) quarterly;

(q) monthly; (r) quarterly; (s) monthly; (t) quarterly; (u) quarterly;

(v) monthly; (w) quarterly; (x) monthly; (y) quarterly; (z) quarterly;

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Art Buchwald

B-1 Cost Consciousness

WASHINGTON — People outside of Washington say that those of us who live here don't care what a piece of defense equipment costs. We care a lot. Just the other night a group of us were sitting around Harry's Bar & Situation Room, and Hindenburg, a Pentagon purchasing agent, said,



"I walked into an airplane shop today and guess how much they were asking for B-1 bombers."

Mussbacher said, "Ten billion dollars."

"Don't you wish it?" Hindenburg replied. "The man who waited on me said he could not build one for less than \$20 billion."

We all whistled.

"Of course," said Hindenburg. "those are 1982 dollars, but even so, I thought that was a lot of money. So I told the guy if he didn't come down in his price, I might only order 50. You know what he said?"

Nobody in the group did.

"He said if I only ordered 50, I'd have to pay double, because it cost so much to tool up for a bomber, but if he only broke even on 50, and his profit came from every one he built after that."

"A few years ago," said Groton, "you could equip the entire Air Force for \$20 billion."

"Well, it's a different world now," said Hindenburg, "and you're lucky to get a hanger for \$20 billion."

* * *

"So did you order the planes?" I asked Hindenburg.

"I was about to when some wise guy from the General Accounting Office came in and said he wanted to go over the estimates. You know how sticky those guys can be. After

'De Beers' Gem for Sale

The Associated Press

LONDON — Sotheby's has announced that it will sell the "De Beers" diamond, ranked as the fifth largest polished diamond in the world, at a Geneva sale on May 4-5. The stone, weighing 234.65 carats and valued at more than \$3 million, is the largest put up for auction this century, the auction house says.

AMERICA CALLING

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ART BUCHWOLD

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he checked out the figures, he said. "These planes are not going to cost \$20 billion. They're going to cost \$27 billion."

"You mean," said Hellman, "he was making a stink over a lousy \$7 billion?"

Hindenburg said, "I couldn't believe it. He actually embarrassed the plane builder in front of me by accusing him of making the estimate too low so he could get the contract."

"What did you do?" Mussbacher asked.

"I told the GAO man to butt out, and it was none of his business what the actual cost of the B-1 would finally be. I said we needed them as a stopgap plane until the Stealth bomber got off the drawing boards."

"Good for you," Groton said.

"The GAO bureaucrat claimed he worked for Congress and he was responsible for keeping defense costs in line, and while \$7 billion didn't seem to be a lot of money, there was a principle involved."

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"What was the guy behind the counter doing?"

"He was in tears. He said it was unfair for anyone to expect him to build bombers for \$20 billion each, and if he thought Congress was going to hold him to that estimate, he would have never hid on the planes in the first place."

"I hope you took his side," I said to Hindenburg.

"Of course I did. What do you think I am - a whistle blower?"

"So did you give the guy the order?"

"I told him to go ahead and start tooling up, because I was certain even if he couldn't bring them in at the price promised, we'd dig up the money somewhere to get the job finished."

"It was the only thing you could do," Groton said. "There isn't a man alive who knows what a B-1 bomber is going to cost until he actually makes one."

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"What did the GAO guy do?" I asked.

"He stomped out of the shop in a rage and said he was going to report me to Congress."

"Big deal," someone said. "Congress pays as much attention to the General Accounting Office as James Watt does to the National Barberian Society."

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